

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

|                                         |   |                 |
|-----------------------------------------|---|-----------------|
| AN ADJUSTMENT OF GAS AND ELECTRIC RATES | ) |                 |
| OF THE UNION LIGHT, HEAT AND POWER      | ) | CASE NO. 90-041 |
| COMPANY                                 | ) |                 |

O R D E R

The Commission, having reviewed The Union Light, Heat and Power Company's ("ULH&P") responses to the Commission's Order dated May 11, 1990, hereby finds that ULH&P has failed to provide the information as ordered in 14 separate items. Since no objections were filed to any of the items, ULH&P should provide the information as previously ordered. Absent a specific detailed objection to information ordered by the Commission, partial or incomplete responses are not acceptable.

IT IS THEREFORE ORDERED that ULH&P shall file with the Commission by June 14, 1990 the original and 12 copies, with a copy to all parties of record, of the information as required by the following items that were set forth in the Commission's May 11, 1990 Order.

1. Item 30. Provide the number of years used in the amortization of excess deferred taxes resulting from the change in the tax rate from 46 percent to 34 percent, for both protected and unprotected amounts.

2. Item 36. Provide the following explanations and schedules concerning ULH&P's Construction Work in Progress ("CWIP"):

(1) Part "a" - explain why CWIP was not included by ULH&P in this case;

(2) Part "b" - explain why the Commission

should deviate from its established methodology and exclude CWIP in the determination of ULH&P's net original cost rate base; (3) Part "c" - complete Schedules B-4 and B-4.1 as of the test-year end for the electric and gas departments, as well as for common plant. Any supporting workpapers and calculations needed for the schedules shall be included; (4) Part "d" - the same information requested in Part C, but as of June 30, 1990.

3. Item 39. Provide an explanation of the reason for the change in the account totals between 1988 and 1989 for each account, listed in Item 39 as Parts "ad" through "ak," selected from the annual variance report for gas accounts. The explanation shall be provided for Parts "ad" through "ak" irrespective of whether the account is an expense account or an amount used to calculate income taxes.

4. Item 40. Provide an explanation of the reason for the change in the account totals between 1988 and 1989 for each account, listed in Item 40 as Parts "aa" through "af," selected from the annual variance report for electric accounts. The explanation shall be provided for Parts "aa" through "af" irrespective of whether the account is an expense account or an amount used to calculate income taxes.

5. Item 47. Prepare a schedule of those expenses recorded in Account No. 912 and 913 which ULH&P believes should be included for rate-making purposes. The schedule must describe the nature of the expense and include examples of the type of advertising involved.

6. Item 48, Part "b." Provide copies of the health care premium statements for each month shown in the requested schedule of health care premiums.

7. Item 53. Provide the supporting workpapers and calculations for the entries shown as transactions and activity occurring between January 1 and June 30, 1990 on WPB-6a through WPB-6c. WPB-6a through WPB-6c are the supporting workpapers to the June 30, 1990 projected balances on Schedule B-6. These supporting workpapers and calculations are necessary to determine the reasonableness of ULH&P's overall proposal to allow a post-test year adjustment to the utility plant and net original cost rate base.

8. Item 55, Part "b." Provide a revision of WPC-3.9c through WPC-3.9m reflecting the 1990 general wage increases expected through May and using the FICA maximum taxable wages of \$51,300. As it is now June 7, 1990, this information should be readily available.

9. Item 60. For Part "a," "We Care" Program, identify the account the cost was recorded in. For Part "i," "Choices" Program, and Part "j," The Balancing Act Program, provide the test year cost, the account the cost was recorded in, and an estimation of what the on-going costs of the program are expected to be for the next year.

10. Item 64, Part "b." Provide all calculations and workpapers which support the federal income tax reported in the 1989 Annual Report, for both electric and gas operations.

11. Item 67. Provide a schedule of all lobbying activities for which ULH&P either paid directly or the cost was allocated to it by the parent company. The schedule shall include a description of the lobbying activity, the costs, and the account the cost was recorded in. The information must be separated between the electric and gas departments, and any allocation factors used must be described. Lobbying activities are not limited to those defined by KRS 6.250. Lobbying activities shall include any payment or contribution to either an organization or an individual which supports or advocates a position on a specific issue being reviewed or debated by a state or Federal legislative body, irrespective of whether such issue may affect private pecuniary interests or those of the whole people.

12. Item 68, Part "b." Explain why the increases in the executive officers' salaries during the test year should be included for rate-making purposes.

13. Item 69 (as well as Items 54 and 55 of the Commission's March 30, 1990 Order.) ULH&P shall provide the following information or a clear, detailed statement explaining: (1) why the information cannot be provided or is unavailable; and (2) an estimated date by which the information will be available and can be provided.

a. According to ULH&P's February 1, 1990 Status Report filed with the Management Audit Branch, 58 of the recommendations in the Management Audit Report have been implemented. These recommendations represent an approximate savings to ULH&P of between \$1,023,800 to \$1,074,200. For each of these

recommendations, identify all costs and benefits included in the test period as a result of ULH&P's implementation efforts. Explain what costs and benefits are anticipated annually over the three years subsequent to the test period. Explain in detail how any of the costs and benefits have been taken into consideration in the proposed revenue requirements in this case:

|           |           |           |
|-----------|-----------|-----------|
| III - 6   | III - 7   | IV - 2    |
| IV - 4    | IV - 6    | IV - 7    |
| IV - 11   | V - 1     | V - 6     |
| V - 7     | V - 8     | VI - 3    |
| VI - 8    | VI - 11   | VI - 14   |
| VI - 15   | VII - 2   | VII - 4   |
| VII - 6   | VII - 8   | VII - 12  |
| VII - 14  | VII - 16  | VII - 17  |
| VIII - 9  | VIII - 10 | VIII - 12 |
| VIII - 14 | VIII - 15 | VIII - 16 |
| VIII - 17 | VIII - 19 | VIII - 20 |
| VIII - 21 | IX - 1    | IX - 2    |
| IX - 3    | IX - 4    | IX - 5    |
| X - 2     | X - 4     | X - 5     |
| X - 9     | X - 10    | X - 11    |
| X - 12    | X - 13    | X - 17    |
| X - 18    | X - 21    | XI - 2    |
| XI - 5    | XI - 6    | XII - 2   |
| XIII - 1  | XIII - 2  | XIII - 3  |
| XIV - 6   |           |           |

b. According to ULH&P's February 1, 1990 Status Report, the following recommendations are still in progress. These recommendations represent an approximate savings to ULH&P of \$1,583,400. For each of these recommendations, identify all costs and benefits included in the test period as a result of ULH&P's implementation efforts. Explain what costs and benefits are anticipated annually over the three years subsequent to the test period. Explain in detail how any of the costs and benefits have been taken into consideration in the proposed revenue requirements in this case.

III - 1  
III - 11  
V - 10  
VI - 5  
VI - 13  
XI - 1

III - 9  
V - 2  
VI - 2  
VI - 9  
VII - 7  
XI - 3

III - 10  
V - 4  
VI - 4  
VI - 12  
VII - 9  
XII - 1

c. If the costs and benefits for the recommendations listed in a and b above have not been taken into consideration in the proposed revenue requirements, provide a clear, detailed explanation for ULH&P's decision to not include such costs and benefits in the proposed revenue requirements.

d. Provide a detailed explanation justifying why recommendations VII-13, VIII-1, VIII-11, and XI-4 have been rejected by ULH&P.

14. Item 70. Prepare a schedule detailing the activity recorded in Account No. 415, Revenues from Merchandising, Jobbing, and Contract Work, and Account No. 416, Costs and Expenses of Merchandising, Jobbing, and Contract Work, separating the transactions between the gas and electric departments. The schedule shall include the type of activity recorded (such as demonstrating appliances, installing appliances, installing piping, costs of inspections, etc.), the amounts recorded for 1989 and 1988, and the reasons for increases or decreases which occurred for the recorded activity between the two years. Any allocations must be identified and explained.

Done at Frankfort, Kentucky, this 7th day of June, 1990.

ATTEST:

  
Executive Director

PUBLIC SERVICE COMMISSION

  
For the Commission